

1 And the second opportunity, was
2 around sort of somewhat what I had mentioned
3 earlier so APIs and services around them that
4 we could build and sell.

5 Q So, when you say "asset appreciation
6 play," what did you mean?

7 A Well, just the idea that if the
8 network takes off there's a possibility that
9 the asset will gain value. And that value
10 will be accredited to the asset holdings of
11 Ripple Inc.

12 Q Can you be more specific when you
13 say "the network," what are you talking about?

14 A Well, the network of financial
15 institutions plugged into the XRP Ledger or
16 that are utilizing Ripple software.

17 Q And the "asset" is what?

18 A XRP.

19 Q So, did the company pitch that XRP
20 would increase in value as the network grew?

21 A I think that the pitch was more --
22 well, just to be clear, value, price something
23 that are two distinctions. And as far as
24 value that we talked about, it's really more
25 around the utility of it, liquidity of it,

1 price is a component of that for sure.

2 But I think my recollection is that
3 we said it's possible. We think it will; but
4 we are not really 100 percent sure.

5 And again, it was so early and so
6 new that nobody could really know and that was
7 my recollection of how those conversations
8 went.

9 Q Well, what did the company and what
10 did you tell the company of how it would make
11 money --

12 MR. HECKER: Did you --

13 Q Sorry.

14 What did you tell investors about
15 how the company would make money?

16 A I think it -- so again, for context.
17 It's 2013 to '14 this is a brand new space,
18 there's a lot of activity and investors are
19 mostly trying to, like, figure out what this
20 is and what's going on. And we would go in
21 and talk about what we were doing and I think
22 people would look at us and say seems like
23 there's a professional team over here and
24 there's some compelling technology. And I
25 think their decisionmaking was more in that

1 context as opposed to this is about an asset
2 and we're gonna make money on an asset.

3 That's my recollection. It was just
4 so uncertain and so, frankly, kind of knew,
5 the language was all new, the jargon was
6 totally new. So that's -- yeah that's my
7 recollection. I want to make sure I answer
8 your question.

9 MR. DANIELS: Recognizing that it
10 was uncertain if you go back to Daphna's
11 question.

12 Did investors ask what potential
13 revenue streams might be?

14 THE WITNESS: They did -- again, I
15 do think we talked about XRP and it's
16 potential to increase in value. And --

17 MR. DANIELS: Just to be clear --

18 THE WITNESS: Okay --

19 MR. DANIELS: When you're talking to
20 investors about XRP increasing in value --

21 THE WITNESS: Yes.

22 MR. DANIELS: -- do you mean
23 increasing in price?

24 THE WITNESS: Well, I mean,
25 specifically, increasing in value. And again,

1 for context. At that time, XRP is trading a
2 couple of hundred dollars or a couple of
3 thousand dollars a day. So there is -- the
4 price is sort of irrelevant at that point; it
5 is really the overall picture and -- of what
6 is going on in the market. And I think the
7 only -- what we -- what I recall is that it
8 was really a question about how much utility,
9 how much liquidity we can bring into the
10 system sort of one informing the other and how
11 that could increase the value of XRP.

12 MR. DANIELS: But from an investor's
13 perspective, if you increase the liquidity of
14 XRP --

15 THE WITNESS: Yes --

16 MR. DANIELS: -- without, for
17 example, increasing the price --

18 THE WITNESS: Yes --

19 MR. DANIELS: -- how would that
20 benefit them if they're putting money into
21 your company?

22 THE WITNESS: Well, it's an asset.
23 And I'm not saying the price wasn't going to
24 move up or down. And I think that would
25 potentially be a part of that conversation. I

1 think it's sort of an unglobal, unpredictable
2 piece of the equation. But I think it was
3 really more of the function of depth of
4 liquidity, depth of the market, which in turn
5 is a function of usefulness. And I think that
6 is what we were trying to articulate.

7 And the company has a large holding
8 of XRP. And, you know, conceivably the
9 outcome could be good, you know, in different
10 price scenarios. But the bigger question is
11 whether or not there's going to be liquidity
12 to take advantage of that.

13 Q At the time that you had these
14 conversations, did the company intend to use
15 XRP sales to fund operations?

16 A I don't think so. I don't remember
17 that being something -- I mean, we were
18 raising money; so I have to say, no, that was
19 not a viable option.

20 Q Okay.

21 Did the company plan to sell XRP at
22 all?

23 MR. HECKER: Which time period, I'm
24 sorry?

25 Q I'm talking about conversations with

1 potential investors in connection with the
2 Series A and the Series B?

3 A Right. Okay.

4 I don't remember to be honest with
5 you. I don't know if we said to investors
6 that we're going to sell this at some point in
7 the future or be able to sell this at some
8 point in the future. And again, I want to be
9 able to emphasize the liquidity at that point
10 in time is so tiny that any investor that we
11 were talking to is mostly focused on what we
12 would become as a business or the potential
13 for us to develop a business.

14 And the crypto currency component to
15 this whole equation was very abstract. And
16 again, the liquidity around it was so tiny
17 that it was almost unfathomable to think that
18 it could have enough volume to really monetize
19 to be the primary source of shareholder value.

20 Q Why don't we turn to Exhibit 102.

21 A Okay.

22 Q If you would turn to page 3. At the
23 bottom of the page it says:

24 "The company's business mode is
25 based on Ripples gaining acceptance in value."

1 What is "Ripple"?

2 A So, at the time, the terminology
3 shifted and changed over time.

4 So again, this is an Opencoin deck.

5 So the company was called Opencoin at the
6 time. And all the technical language, I think,
7 was mostly around Ripple and that was grounded
8 in the technical origins of the XRP Ledger,
9 which is something called "Ripple"; and
10 Ripples are the digital currency within that
11 system.

12 Q So, is "Ripples" another name for
13 "XRP"?

14 A It's, I think, the first name for
15 XRP, yes -- actually, XRP and Ripples are the
16 same. XRP was sort of the currency
17 denominator for Ripple. "X," mean no country;
18 "RP," being Ripple.

19 Q What is your understanding of the,
20 you know, Ripples gaining value mean?

21 A Again, liquidity, utility,
22 usefulness.

23 Q Okay.

24 And did you have an understanding
25 that that meant an increase in price?

1 A I -- no -- I don't -- I think this
2 is again it's -- no, I don't. I think it's
3 part of the equation but not the only thing.

4 Q If you would turn to page 16 of the
5 deck.

6 A Okay.

7 Q Earlier we spoke about that Ripple
8 had a large amount of XRP. Here on page 16 it
9 says that "Opencoin has 80 billion XRP" and
10 talked about the "distribution of XRP."

11 How did the company intend to
12 distribute it's XRP?

13 A I think that the initial ideas were
14 around giving XRP to different users, traders.
15 I don't know how exactly to define that. And
16 I think that was the primary way initially.

17 Q If you look at page 16, it talks
18 about, "50 billion corporate gifts, credits to
19 users over time"; is that what you are
20 referring to?

21 A I think so, yes.

22 Q And then it says "30 billion sold to
23 exchanges"?

24 A Okay.

25 Q Is that your understanding of what

1 was the distribution strategy at the time?

2 A I don't remember to be honest, no.

3 And this is changed so much that, I don't
4 know.

5 Q And then --

6 A They were -- yeah.

7 Q If you turn to page 17, at the top
8 of the page it says:

9 "Opencoin will keep between 25
10 percent to 30 percent of all currency
11 created".

12 All right. Is that a reference to
13 XRP?

14 A I think so. I would imagine.

15 Q And then --

16 A Says "native currency" above the
17 line.

18 Q Then:

19 "Opencoin will sell to whole same
20 MSB's over time to fund itself."

21 A Okay.

22 Q Was that your understanding of the
23 distribution plan at the time?

24 A I don't remember what my
25 understanding was at the time. And at this

1 point, I can't even remember what it looked
2 like. So...

3 Q Okay --

4 A No --

5 Q -- any reason to believe that that's
6 not accurate?

7 A No.

8 Q Going back to page 3 of the
9 document.

10 A Okay.

11 Q How did the company plan to create
12 value for XRP?

13 Earlier you described what you
14 understood "value" to mean; but what was the
15 plan to create value?

16 A Okay.

17 So, just at the highest level, I
18 think, the plan was to -- again, it was rooted
19 in this idea of an intranet of value where
20 value moves more chiefly, freely, efficiently.

21 I think the premise here was that
22 the digitization of as many assets as possible
23 and then the -- sort of the ability to source
24 liquidity from those assets is sort of what
25 would theoretically drive the value of XRP,

1 make it more useful as sort of a bridge
2 currency within the ecosystem.

3 So, instead of -- I think there's a
4 slide in here somewhere or in one of the
5 documents.

6 Instead of every currency pair or
7 every asset pair having to trade with each
8 other, they could trade through the XRP
9 digital asset, which has a couple of
10 interesting benefits within the ecosystem;
11 because it's counterparty free. It's a native
12 asset within the system and it's mostly just
13 free to use.

14 So, that was the original premise.
15 And that utility, that usefulness as a bridge
16 currency, and as a sort of technical component
17 to operate the whole system would drive the
18 value of XRP.

19 Q But how would the company influence
20 the value of XRP?

21 A Well, the company is just -- the
22 only thing the company could do is to help get
23 as many assets onto the system as possible.
24 And that's again, sort of at a high level,
25 theoretical level assets. It could be

1 dollars, it could be anything. And then
2 facilitate -- do whatever it could to try to
3 help move volume through that.

4 So maybe now that there's dollars on
5 the system, maybe now we can provide APIs to
6 allow private networks to take advantage of
7 those dollars and send them around.

8 And that was the premise of what
9 Ripple was trying to enable.

10 Q You said that the company was going
11 to help get as many assets on the system; but
12 the deck talks, specifically, about Ripples --

13 A Okay --

14 Q -- XRP.

15 Was there a focus on getting XRP
16 adopted as opposed to other assets?

17 A Okay. So again, going back to 2013.

18 There's sort of a battle between
19 Bitcoin and Ripple -- I should say pick one
20 XRP Ledger at that point was called Ripple.
21 And the battle is what we're trying to do is
22 we're trying to get as many trader -- as much
23 just broadly liquidity onto the XRP Ledger as
24 possible.

25 And we -- and with the way the world

1 looked at that point was that there was going
2 to be, again, sort of one blockchain system
3 that would win in this space. And so, there
4 was not an attempt to get XRP outside of the
5 XRP Ledger; it was sort of the other way
6 around. It was trying to get everybody else
7 to get their assets onto the XRP Ledger and
8 then make that XRP Ledger sort of the de facto
9 clearing and settlement system for all sorts
10 of digital payment types.

11 MS. WAXMAN: But did XRP have to be
12 the bridge currency for using connection with
13 the ledger?

14 THE WITNESS: In fact, no. And we
15 would often talk about that. We would say it
16 could be dollars, it could be anything.

17 What I think the design premise was
18 for the system -- and it's sort of rooted in
19 the technical reality of -- in operating a
20 decentralized system is that sort of prevent
21 against different attacks. A digital asset
22 helps to secure the network. And the digital
23 asset not only helps to secure the asset but
24 has a duel function of being the native asset
25 within the system and can now be sort of has

1 inheritably these sort of unique principles of
2 being counterparty free, being, you know, low
3 cost to utilize, there's no fees associated
4 with and it it's really fast. Okay.

5 And so, that was the basic idea was
6 that it would win on it's merits. And that's
7 sort of what we -- what we sort of talked
8 about in those early days.

9 Q I want to separate the benefits of
10 digital assets in general and the use of the
11 XRP Ledger, which allowed people to trade XRP
12 and any other asset from the benefits of XRP
13 and why the company would want to promote XRP
14 over other assets?

15 A But I --

16 MR. HECKER: Wait. I'm sorry.

17 THE WITNESS: Okay.

18 MR. HECKER: Was there a question
19 there or no?

20 MS. WAXMAN: There will be.

21 MR. HECKER: Okay.

22 Q How would the company benefit if XRP
23 became the asset of choice, you know, and
24 preferred over Bitcoin?

25 A Well, the company has a lot of XRP.

1 And in addition to that, if XRP becomes a
2 dominant or sort of primary way which to
3 facilitate all this clearing settlement on an
4 internet based sort of new value system, value
5 transfer system, I think Ripple also is sort
6 of uniquely positioned to understand how data
7 and values moving across it build services
8 around that in varying ledgers.

9 In very much the same way sort of
10 something like Google is able to build
11 services around a search; because they were
12 early in that field. I think that was sort of
13 the theoretical --

14 Q So, Ripple is the largest holder of
15 XRP, correct?

16 A Yes.

17 Q Was it discussed with potential
18 investors that the more valuable XRP is the
19 more Ripple would benefit from holding that --

20 A Honestly, I don't remember any
21 specifics around the conversation; but I'm
22 sure, yes, that we would have that
23 conversation.

24 Q Did any of the potential investors
25 that you spoke to want direct exposure to XRP?

1 A Yes.

2 Q And what did you do in that
3 situation?

4 A We sold them XRP.

5 Q In connection with their investment
6 in Ripple?

7 A I don't remember if it was -- no, I
8 don't -- I don't remember. I don't think so;
9 but I don't remember.

10 Q Why would they want direct exposure
11 to XRP?

12 A Okay. Can I ask for a clarification
13 question? Are you asking why would they want
14 exposure to XRP or why would they want -- are
15 you asking for the difference between the
16 Ripple investment and Ripple equity versus the
17 XRP?

18 Q Yes. Yes.

19 When I say "direct exposure of XRP,"
20 I mean actually purchasing XRP as opposed to
21 purchasing shares in Ripple?

22 A Oh, okay.

23 Well, I think XRP is just an asset
24 within this ecosystem and the asset could
25 increase in value, become more liquid, the

1 price could go up. And so, I think it's sort
2 of a directional -- I'm not sure; because I
3 don't know what's inside the head of these
4 investors.

5 Q Well, did they ever tell you that
6 they wanted direct exposure to XRP?

7 A I don't -- I don't remember.

8 Q Did you ever discuss entering into
9 agreements with potential investors to
10 purchase XRP?

11 A I remember there were investors that
12 brought XRP.

13 Q Why wasn't XRP offered in connection
14 with the investment Ripple?

15 A I don't know.

16 MS. WAXMAN: Do you want to take a
17 five-minute break?

18 MR. HECKER: That would be great.

19 MS. WAXMAN: Okay, it is 10:48. We
20 are off the record.

21 (A brief recess was taken.)

22 MS. WAXMAN: We are back on the
23 record at 10:56?

24 I will have the marked as an
25 exhibit.

1 (SEC Exhibit No. 103 was
2 marked for
3 identification.)

4 Q Mr. Griffin, I'm showing you what's
5 been marked as Exhibit 103, which is an
6 Opencoin deck, dated June 2013.

7 Take a look at it and let me know
8 when you are done.

9 (The witness examined the document.)

10 A Yes.

11 Q Do you recognize what's been marked
12 as Exhibit 103?

13 A I -- again, I don't recognize this
14 specific document. I recognize some of the
15 material in it though.

16 Q Okay.

17 Do you recall the company using
18 multiple versions of this deck in connection
19 with their fundraising affairs?

20 A Yes.

21 Q Does the deck state the company was
22 going to sell XRP to fund operations?

23 A Are you asking me what the deck
24 says? I don't know. I think it may have said
25 that in there.

1 Q If you turn to page 13.

2 A Okay.

3 Q Top of the page:

4 "Opencoin business modo based on the
5 success of XRP" and then says, "will
6 occasionally sell XRP to fund itself."

7 A Yes. Yes.

8 Q Was that also your understanding at
9 the time?

10 A Yes.

11 Q Then if you turn to page 14, it
12 talks about "the distribution of XRP." And it
13 talks about how:

14 "A portion of the XRP would be used
15 for giveaways," which we spoke about earlier.

16 And then it talks about: "A
17 portion being sold to exchanges."

18 Was that your understanding at that
19 time?

20 A I -- I don't remember the exchanges
21 piece; but everything else looks familiar,
22 yes.

23 Q The next page, page 15, line 2 says:
24 "The company had wholesale sales of
25 XRP totaling 1,000,000."

1 Who were those sales to?

2 A I don't know.

3 Q If you look on page 20, it's a slide
4 that says, "financial projections" and it
5 projected -- it's projections for 2013, 2014
6 an 2015.

7 What is it mean when it says, "XRP
8 mark to market"?

9 A I don't know. I would guess that
10 it -- yeah. Well, I shouldn't guess so there
11 you go.

12 Q What is your understanding of that?

13 A "Mark to market" just means that
14 sort of notional value of the current price
15 extrapolating across the total holdings, the
16 total amount. Sort of a meaningless number in
17 the context of what you could actually take
18 out of the market.

19 Q How does that compare to the line
20 below it "XRP sales"?

21 A I -- I'm guessing that the XRP --
22 well --

23 MR. HECKER: Do you --

24 Q What's your understanding of what
25 the document says?

1 A The XRP says --

2 MR. HECKER: Wait. Wait. Wait.

3 Wait --

4 THE WITNESS: Yeah --

5 MR. HECKER: I want you to slow down
6 and just make sure you understand the
7 question.

8 Do you have understanding of what
9 "XRP sales"? And if so, you should share it.

10 A "XRP sales" would have been the
11 sales of XRP.

12 Q Does the document show increasing
13 revenues from XRP sales?

14 A Yes.

15 Q Is that because the company believed
16 that the price of XRP would increase?

17 A Oh, I don't know. It could have
18 been the value. It could have been more
19 volume. It could have been a number of
20 things.

21 Q Well, "sales" refers to price and
22 we're talking about how much they would get
23 from price --

24 MR. HECKER: Wait --

25 A Well, you --

1 MR. HECKER: Wait. Wait for a
2 question.

3 Q Did the company anticipate selling
4 less over time, less XRP?

5 A I don't know.

6 Q So, I'll ask it again.

7 Did the company anticipate
8 getting -- selling, receiving more money from
9 XRP sales over time?

10 A I don't know.

11 Q Well, based on the document --

12 MR. HECKER: Well, wait. Wait.
13 Wait. Are you asking him what the document
14 says or what he remembers about his
15 understanding at the time? Because the
16 document is what it is; but I feel like you're
17 conflating them. And I want to make sure he's
18 clear about what he remembers versus what the
19 document says.

20 MS. WAXMAN: Okay, that's fair.

21 Thank you.

22 Q What was your understanding at the
23 time; did the company understand that it would
24 make more money from sales of XRP over time?

25 A Okay. I just -- to clarify your

1 question. Did the company know if it would
2 make more money? I would say no.

3 Q No.

4 The question is, Did the company
5 believe that it would make more money over
6 time through XRP sales from XRP sales?

7 A Again, with any certainty, no.

8 Q No one can predict the future?

9 A Right --

10 Q -- at least I can't; but that's not
11 the question. The question is, Did the
12 company believe that XRP would increase in
13 price so that when it sold in the increasing
14 price, it would make more money?

15 MS. COWAN: That's not the same
16 question you asked before, just to be clear.

17 MS. WAXMAN: I'm just trying to get
18 an answer from the witness.

19 MR. HECKER: Well, if you know. Do
20 you know?

21 THE WITNESS: I just said, "no."

22 A No.

23 MR. DANIELS: Earlier, when we were
24 talking about the 2013 through 2015 period, I
25 think you had talked about potential revenues

1 from the API integration --

2 THE WITNESS: Yes --

3 MR. DANIELS: -- is that right?

4 THE WITNESS: Yes.

5 MR. DANIELS: Do you see that

6 reflected anywhere in the financial

7 projections?

8 THE WITNESS: No.

9 MR. DANIELS: Do you know why it

10 wouldn't have been listed in the financial

11 projections?

12 THE WITNESS: I -- well, the -- no.

13 MR. DANIELS: Do you believe that

14 these financial projections were intended to

15 cover the intended revenues for the company

16 over the ensuing two years or three years?

17 THE WITNESS: When I look at this, I

18 think it's a reflection of what the company

19 had the clearest understanding of where the

20 money -- they'll make money.

21 MR. DANIELS: So would it be --

22 THE WITNESS: But I know that for

23 sure at this time -- sorry -- that there were

24 discussions around -- I remember there being

25 discussions around sort of services and

1 ancillary business revenues, which were still
2 not solidified, still hadn't come together in
3 a totally coherent way. And so, they
4 weren't -- they're not in here and I suspect
5 maybe that's why.

6 MR. DANIELS: Understood.

7 So, would it be fair to say the
8 clearest revenue stream at the time appear to
9 be from the XRP sales?

10 THE WITNESS: Yes.

11 Q Earlier, when we were talking about
12 the distribution of XRP, did the company give
13 XRP away?

14 A Yes.

15 Q And what was the purpose of giving
16 XRP away?

17 A Again, I think it was about trying
18 to find ways in which to build the liquidity
19 and the usefulness around XRP.

20 Q Was there a focus on giving it away
21 to consumers?

22 A Yes, I believe so.

23 Q At the time of that giveaway, how
24 could those people use XRP?

25 A I think there was an open source

1 client that had been built and that was the
2 primary interface into the system.

3 Q What could XRP be used for?

4 A I would say that everything that
5 Bitcoin was possible for to be used for, you
6 could apply the same logic to XRP; restore
7 value, sending them money. I think even at
8 that time, even in this deck, you'll see it
9 talks about "no charges back"; where there was
10 a discussion around using digital currency for
11 lowering costs and risks associated with
12 online transactions.

13 So, I think there were a lot of use
14 cases for digital currency itself. And in
15 addition to that's sort of, like, the van of
16 Bitcoin and XRP.

17 And I think XRP also is useful
18 within it's sort of native environment for
19 providing liquidity more seamlessly for other
20 assets within that system.

21 MS. WAXMAN: I will have this
22 marked.

23 (SEC Exhibit No. 104 was
24 marked for
25 identification.)

1 Q I'm showing you what's been marked
2 as Exhibit 104, which is an e-mail chain from
3 March 2013. You are one of the persons on the
4 e-mail chain.

5 A Thank you.

6 Q Take a moment, look at it and let me
7 know when you're done.

8 (The witness examined the document.)

9 A Okay.

10 Q Did you have any concerns regarding
11 the distribution strategy that included
12 giveaways?

13 A "Concerns," I don't know that I
14 would characterize it that way. But I did --
15 it wasn't totally clear. And so, I think
16 that's how I would characterize it.

17 Q When you say "it wasn't totally
18 clear," what do you mean?

19 A So, that the purpose, the value of
20 doing the giveaway.

21 Q Were there any risks involved?

22 A I think the risk is that the outcome
23 wouldn't be, I think, what the designers of
24 these giveaway programs had intended, which
25 would be to create more use of XRP, sort of

1 more utility and liquidity around it.

2 Q Were you concerned that the
3 giveaways would negatively affect XRP's fair
4 market value?

5 A Well -- let's see, I don't know. So
6 this is -- are you referring to this document?

7 Q Not referring to the document. I'm
8 just asking you the question outside of the
9 document.

10 A Okay.

11 Well, if we're defining "fair market
12 value," as "value," again, using the same sort
13 of principles as liquidity, utility,
14 usefulness, prices in there for sure and there
15 are other things sort of dictating the value,
16 yes, I was concerned about it's value.

17 Q Going to the document itself, when
18 you talk about "fair market value" in the
19 document, are you referring to price?

20 A It's possible. I don't remember.

21 And maybe for context, I think, I'm
22 a couple of weeks on the job here on this
23 e-mail chain.

24 Q Okay.

25 In the bottom e-mail you say:

1 "I want to make sure I understand
2 how we plan to defend the fair market value of
3 XRP against a surge in supply to make this
4 giveaway scheme work."

5 A Okay.

6 Q How would a surge in supply affect
7 the fair market value of XRP?

8 A Well, a surge in supply -- and
9 that -- again, I think to define from what I
10 understand about what this is saying is a
11 surge in supply would come with a surge in
12 selling. And if there's a lot of selling, then
13 the price would assumably go down. And any
14 liquidity around the digital asset at that
15 point would also be drained. So it would be
16 hard to trade it; and therefore, it would be
17 kind of hard to use it.

18 Q Other than why would a decrease in
19 price be problematic?

20 A Well again, I think it's a
21 combination of all these factors play into, I
22 think, the value consideration. And I think
23 that would speak more to the liquidity of the
24 asset and being the most value -- or being
25 sort of the primary importance.

1 Q If XRP's price went down, would the
2 XRP get less money from XRP sales?

3 A I don't know.

4 Q Well, if they wanted to sell it and
5 the price went down, would they get less
6 money?

7 A I don't know. It would depend on
8 the volume.

9 Q Just regardless of the volume, if I
10 sell something at 10 as opposed to selling
11 something at 5?

12 A Okay, yeah. If we're talking about
13 one unit --

14 Q Yes --

15 A -- of XRP --

16 Q Yes --

17 A -- we're being very specific in
18 early defining it, yes.

19 Q Okay.

20 The second page, at the end, you
21 pose three questions. First one is:

22 "How are we protecting from a
23 collapse of the XRP fair market value as we
24 disperse the minted XRP?"

25 Did the company have a plan?

1 A You know, apart from this e-mail, I
2 don't know. And sorry, just to be clear. A
3 plan for what?

4 Q Of "protecting from a collapse of
5 the XRP fair market value"?

6 A I just -- like, I really want to
7 emphasize the point that I think I'm three --
8 two weeks on the job. I had a payments and
9 identity management background and this is
10 totally new for me. And so, even using
11 language like "fair market value" might be
12 completely wrong. And then so, I don't think
13 it's something they said in later years of
14 being with Ripple. And so, I, you know, I
15 think this is also what you're seeing in this
16 is also -- not only an attempt to understand
17 how all of this would play out; but also just
18 the dynamics of how markets work in general.

19 Q Did you discuss how liquidity
20 providers would play a role in preventing a
21 "collapse of the XRP of fair market value"?

22 MR. HECKER: In 2013?

23 MS. WAXMAN: Yes.

24 A I don't know if we discussed it. But
25 this is an e-mail that shows we had a

1 discussion.

2 Q And how would liquidity providers
3 play a role in preventing the "collapse of the
4 XRP fair market value"?

5 A I don't understand. That's my
6 answer. I don't really know how that would
7 work.

8 Q Did the company ever do what was
9 proposed?

10 A No.

11 Q Second page of the e-mail. Second
12 question that you pose is:

13 "How are we thinking about defending
14 the incremental valuation increases XRP
15 accrues as we grow the network."

16 A Okay.

17 Q What are you talking about when you
18 say "incremental valuation increases"?

19 A Yeah. Okay.

20 Again, I think it's important to
21 point out all the terminology I'm using here,
22 I'm new on the job and probably using all
23 kinds of mixed language that is not super
24 concise and on point.

25 I think my understanding of that

1 bullet point is, again, the premise of the
2 giveaway is to extend the usefulness and
3 utility of XRP. And so, within that is a
4 presumption that for every XRP that is given
5 away will more value than the XRP that's given
6 away is created. That's the fundamental
7 premise of the giveaway. And I think that's
8 kind of what Jed is talking about with this,
9 "wide Rex" piece in the beginning.

10 So, I think what I'm saying here is,
11 How do we think about the valuation going up
12 for every XRP that's given away in the face of
13 the fact that when you give away the XRP
14 presumably there's also value that's being
15 eroded. So that -- the equation has to be
16 balanced just that one outweighs the other.

17 And I think that's what I was trying
18 to understand.

19 Q In the first page, in the middle,
20 you write:

21 "Just thinking through this a floor
22 would be set for an open order by private
23 equity firm to buy available XRP for fee at
24 IOUs at a set price, a backstop, to keep the
25 price from collapsing."

1 A Okay.

2 Q Does this refresh your memory as to
3 what you were referring to when you spoke
4 about fair market value?

5 A No.

6 Q Well, you're talking about --

7 A I'm sorry. Can you point me to
8 where you're looking? I just want to make
9 sure I follow along.

10 MR. HECKER: If you need to, read
11 along first.

12 (The witness examined the document.)

13 Q The second bullet:

14 "The X demand --"

15 A Okay --

16 Q "-- created from an entire network?
17 not from each new --"

18 A Okay --

19 Q "-- individually --"

20 A Okay --

21 Q "-- is this just an unqualifiable
22 notion?" You ask. "As more people
23 enter the network we believe the
24 value of XRP will rise and turn as
25 the utility of XRP is realized."

3 A Is it the same that -- the same sort
4 of the same definition that the notion that
5 utility and functionality are part and parcel
6 to liquidity. Those two things together also
7 reflect in the price and all those things move
8 to drive value.

9 MS. WAXMAN: I will have this marked
10 as Exhibit 105.

11 (SEC Exhibit No. 105 was
12 marked for
13 identification.)

14 Q I'm showing you what's been marked
15 as Exhibit 105, which is an e-mail from Arthur
16 Britto to you, on March 28th, 2013.

17 Take a moment to read it over and
18 let me know when you are done?

19 (The witness examined the document.)

20 A Okay.

21 Q Turning to the very bottom of the
22 page, there's an e-mail from you on March
23 27th, 2013. It says:

24 "At Chris Jed. Are we restricted
25 from discussing the underriding activity;

1 i.e., backstop funding as an ROI opportunity
2 for an investor given the sensitivity around
3 XRP as a security"?

4 A Okay.

5 Q What are you referring to when you
6 say "underriding activity"?

7 A I don't know.

8 Q What about "backstop funding"; what
9 did you mean?

10 A I don't have a perfect recollection.
11 What I do remember is the idea here is that as
12 there's XRP given away that if that XRP is
13 given away, that there would be some period of
14 time behind which different market
15 participants, liquidity providers, would have
16 standing orders to buy an XRP.

17 So that, as the XRP is sold, that
18 there won't be substantial price and volume
19 changes that undermine sort of the overall
20 intention, which is again to create more value
21 than the value that we are sort of giving up.

22 Q Who would be buying the XRP?

23 A I don't know. I presume some kind
24 of market maker, liquidity provider; but I'm
25 not sure.

1 Q Then what is "ROI" refer to?

2 A I -- sorry. I'm not totally sure
3 when I read this, I don't really know exactly
4 what it means. But presumably, again, it
5 would be an opportunity for somebody who wants
6 to buy or go long in the crypto currency or
7 something like that. But I look at this and
8 I'm not totally sure.

9 Q Are you talking about going long on
10 XRP?

11 A Presumably, that's what that would
12 be; but I'm not really sure what this means.

13 Q And "ROI" do you understand what
14 that term refers to?

15 A I do.

16 Q What is that?

17 A Return on investment.

18 Q So, who would be investing in XRP?

19 A I think this would be -- again, I
20 just want to re-emphasize it's March, I'm only
21 a couple of weeks on the job here. So all of
22 my language is probably not the most precise
23 that it should be or it could be. And, I
24 think, when I say "investor" it's probably
25 trader, market maker, participant, liquidity

1 provider. But I don't totally recall.

2 Q So, did the company understand that
3 certain people would make money from trading
4 in XRP?

5 A I -- the company understood that
6 there was speculators in the market. I can't
7 say what the company understood. But me
8 personally, there are speculators in crypto
9 currency and digital assets. I think that's
10 what the common was then.

11 Q At the time of this e-mail, March
12 2013, the company understood that there were
13 speculators in XRP?

14 MR. HECKER: He just testified that
15 he couldn't speak to the company; but he knows
16 what he understood. So your follow-up
17 question seemed to assume that he was speaking
18 for the company.

19 MS. WAXMAN: I'll ask again.

20 Q Did the company understand that
21 there were speculators in XRP at the time in
22 2013?

23 A I can only say I understood that.
24 But I don't know what the company understood.

25 Q And what was the basis for your

1 understanding?

2 A The sort of broader crypto currency
3 market. And I just knew -- understood that
4 there were other speculators. There were
5 speculators actively involved in buying and
6 selling and trading crypto currency.

7 Q My question is specific to XRP?

8 A Yes.

9 Q Did you understand that there were
10 speculators in XRP at the time?

11 A Yes.

12 MR. DANIELS: Did you discuss that
13 understanding with anybody else at the company
14 at the time?

15 THE WITNESS: I don't remember any
16 discussions.

17 Q How did you know that there were
18 speculators in XRP as opposed to speculators
19 in the broad crypto currency market?

20 A Well, to be honest with you, it's
21 sort of a definitional challenge. People
22 trading XRP, exactly what they were doing with
23 that XRP, I don't know. I don't know if they
24 were speculating or what they were doing. But
25 people were trading XRP and that's kind of --

1 I probably made an assumption that they were
2 speculating; but I honestly couldn't know.

3 Q Did you ever discuss with any
4 potential investors that there were people
5 speculating in XRP?

6 A I don't remember any discussions
7 like that.

8 Q What were you referring to when you
9 wrote "the sensitivity around XRP as a
10 security?"

11 A So again, I just -- sorry to do this
12 again. Just emphasizing and stressing the
13 earliness of this time period. Not only am I
14 very new to the company but crypto currencies,
15 broadly speaking, are totally new. And I
16 think there was a lot of discussion at the
17 time around the classification of crypto
18 currencies and digital asset.

19 And so, I suspect that in the course
20 of some of those discussions internally, there
21 were conversations about it being classified
22 as a whole host of different assets.

23 And so, I suspect that's what it's
24 referring to. But sitting here today, I don't
25 know exactly what I was referring to.

1 Q During this time period in March
2 2013, did you have discussions with people at
3 Ripple regarding as to whether XRP could be
4 classified as a security?

5 A I don't know if we had -- I don't
6 know.

7 Q Did you have discussions with
8 potential investors as to whether XRP could be
9 classified as a security?

10 A I don't know.

11 Q Why was there sensitivity around XRP
12 being potentially classified as a security?

13 A So, if you stepped back and look at
14 the whole space, I know there was
15 discussion -- again, this is 2013 and I don't
16 think there was any -- really any clarity
17 around what crypto currencies were at the
18 time.

19 So, I think there was discussion
20 more broadly about crypto currencies in
21 general. I don't remember, specifically,
22 around XRP. But obviously, again, there are
23 only two really crypto currencies at the time.

24 And I think the conversation then
25 was around how to think about these things and

1 how to classify them. And I think -- that's
2 all I kind of remember. I think there was
3 pros and cons of one thing versus another
4 thing. I don't really remember what those
5 were though.

6 Q Talking about crypto currency in
7 general whether it was XRP or Bitcoin, what
8 would be the con -- and your word is
9 "sensitivity" -- then you said "the con" of
10 that asset being deemed a security?

11 MS. COWAN: That's not what he
12 testified.

13 MS. WAXMAN: Well, he was talking
14 about -- he said "the pros and cons."

15 Q I'm trying to understand why you
16 used the word "sensitivity"?

17 A Okay.

18 MR. HECKER: Do --

19 THE WITNESS: I don't remember using
20 the word "sensitivity."

21 Q Would there be any consequences if
22 XRP was deemed a security?

23 MR. HECKER: Do you mean at the time
24 in 2013 did he have an understanding of what
25 the consequences would be being deemed a

1 security or do you mean now?

2 MS. WAXMAN: No. I'm focused on
3 this document at the time in 2013 not now,
4 2013.

5 MR. HECKER: Okay. So, do you
6 recall that?

7 THE WITNESS: No, I don't recall
8 that.

9 A No.

10 Q I want to go back to what was
11 previously marked as Exhibit 103, which is a
12 copy of the June 2013 deck.

13 MS. WAXMAN: I will have this marked
14 as Exhibit 106.

15 (SEC Exhibit No. 106 was
16 marked for
17 identification.)

18 Q I'm showing you what's been marked
19 Exhibit 106, which is an e-mail from you,
20 dated May 9th, 2013, and an attachment. The
21 attachment is an Opencoin deck from May 2013.

22 (The witness examined the document.)

23 A Okay.

24 Q Is this another version of the deck
25 that the company used in connection with it's

1 fundraising efforts?

2 A I don't believe so.

3 Q How is this different?

4 A From my e-mail, it looks like it's a
5 deck we just used for gateways. And then on
6 the title slide it says "gateways."

7 Q And what is a "gateway"?

8 A A "gateway," is an endpoint to sort
9 of provide cash in cash out of the XRP Ledger
10 or, to use the language I used before, it's a
11 place where assets are digitized.

12 Q And who would act as gateways on the
13 ledger?

14 A We looked at and worked with a range
15 of financial institutions, crypto currency
16 exchanges. And again, May 2013 there were
17 probably only a handful, five or something
18 like that. I don't really know what the total
19 was. It would have been payment networks,
20 wallet providers. It could have been
21 remittance companies, any financial
22 institution that holds some form of asset.

23 Q Would it include market makers?

24 A No.

25 Q Would it include exchanges?

1 A Yes.

2 Q And why wouldn't it include market
3 makers?

4 A Well, the market makers were simply
5 providing trade and execution as opposed to
6 sort of more custody and services around
7 custody.

8 Q Turning to the first page. Who is
9 [REDACTED] if you recall?

10 A I think he was the head and founder
11 of [REDACTED]

12 Q And what is [REDACTED]?

13 A I think it's a retail remittance
14 payment company.

15 Q And who is [REDACTED]?

16 A Actually, I don't remember if [REDACTED]
17 was a designer. I can't remember.

18 Q Who did he work for?

19 A I don't remember that either.

20 Q Why did you send this to [REDACTED]
21 [REDACTED]

22 A I think we were talking about how to
23 connect in the earlier days. We were looking
24 for early adapters and he had sort of a
25 budding remittance payment company and we

1 thought that it would make sense to connect
2 his company and their platform onto the --
3 onto our system to sort of streamline their
4 effects and cross board of payments cost.

5 Q Was there any relation to [REDACTED]?

6 A I don't know.

7 Q I'm referring to the subject line?

8 A I saw that. I don't know.

9 Q So, the e-mail says:

10 " [REDACTED], FYI. Here's the deck
11 we're using for bank gateways. We are
12 focusing on the payment network and
13 downplaying the XRP."

14 A Okay.

15 Q What did you mean by "downplaying
16 the XRP"?

17 A Again, so I think at this point in
18 time this is right around the wake up of Mt.
19 Gox collapsing and a lot of headline risk
20 around crypto currencies in general.

21 And so, when we went in to talk to
22 payment companies that were sort of sensitive
23 to regulatory issues, if we started the
24 conversation by saying, We are a crypto
25 currency company"; it would sort of end the

1 meeting. And so, we would have to downplay
2 that conversation -- that part of our
3 technology stack just deprioritize it. We
4 would still talk about it; it wasn't hidden
5 away. It just wasn't what we were leading
6 with.

7 MR. DANIELS: Just to follow up on
8 that. When you would meet with investors,
9 would you then lead with the fact that you
10 were a crypto currency company?

11 THE WITNESS: It's possible; but
12 those are totally different audiences. I
13 mean, I think crypto currency investors in
14 Silicone Valley are a little -- not all of
15 them but some of them -- were plugged in what
16 was going on with crypto currency in the
17 crypto currency space.

18 But I, specifically, remember going
19 into meetings where we were explaining what
20 Bitcoin was, what the blockchain was and what
21 we were doing. And so, it's different
22 audiences. Totally different audiences.

23 So I think, by the time you're
24 talking to other retail payment companies, it
25 was just a different focus.

1 Q What specific risks were there with
2 respect to crypto currencies and,
3 specifically, XRP at the time?

4 A I just think it was the headline
5 risk is what I remember. Again, it's like Mt.
6 Gox, also sill road. There was this
7 association that crypto currencies were bad
8 and that they were being used for bad and that
9 there is sort of fraud around crypto currency.
10 And so, it was sort of a non-starter in a lot
11 of contexts. And so it wasn't -- and by the
12 way, it wasn't necessarily the premise of what
13 we were doing. I think when we would talk to
14 a payment company, we were talking about the
15 value that we could bring to them. Beyond
16 just using a crypto currency; it was more of
17 the network effects and what the network could
18 deliver, the proposition of the network. And
19 just focusing on crypto currency, I think was
20 sort of, you know, trees for the forest or
21 whatever.

22 Q Was there regulatory risk as to the
23 classification of XRP?

24 A I don't remember that being part of
25 the issue.

1 Q And when I ask that, I'm talking
2 about this May 2013 time period?

3 A Yeah, I don't remember that.

4 Q If you would turn to page 30.

5 A Okay.

6 Q The title is "regulatory and legal."

7 A Okay.

8 Q And the first bullet says:

9 "Retains Perkins Coie to advise on
10 regulatory issues." Did the company receive
11 legal advise as to whether XRP could be deemed
12 a security?

13 MS. COWAN: I think he made his
14 point. "Yes" or "no" at this point.

15 A Yes.

16 Q Did you discuss this legal advise
17 with potential investors?

18 A I don't remember.

19 Q Was the legal advice documented
20 anywhere?

21 A Yes.

22 Q Where was it documented?

23 A There was a memo from Perkins Coie.

24 Q And did you distribute the memo to
25 potential investors?

1 A I don't know if we did.

2 Q Did you discuss the memo and it's
3 contents with potential investors?

4 A I don't remember.

5 MS. WAXMAN: I will have this marked
6 as Exhibit 107.

7 (SEC Exhibit No. 107 was
8 marked for
9 identification.)

10 Q I'm showings you what's been marked
11 as Exhibit 107, which is an e-mail from you,
12 dated April 23rd, 2013.

13 Just take a look at and it let me
14 know when you are done.

15 (The witness examined the document.)

16 Q Who is [REDACTED].

17 A [REDACTED] is -- I think at the
18 time was the chief operating officer of
19 [REDACTED] That's my recollection.

20 Q I'm showing you what's been
21 previously marked as Exhibit 48, which is the
22 attachment to that e-mail.

23 A Okay.

24 (The witness examined the document.)

25 A Yes?

1 Q Is this the memo you referred to
2 earlier containing legal advise as to whether
3 XRP could be deemed a security?

4 A It is.

5 Q Why did you send it to [REDACTED]?

6 A I could only venture a guess. I
7 can't remember.

8 Q Did Ripple intend a potential
9 relationship with [REDACTED]?

10 A Yes.

11 Q What was the relationship?

12 A I think there were two discussions
13 with [REDACTED]. There was one more of a
14 corporate development when [REDACTED] was
15 interested in buying Opencoin.

16 And the second was trying to
17 utilize, from a business development
18 perspective, working with [REDACTED] to integrate
19 the two technologies of XRP Ledger, which was
20 called Ripple at the time and [REDACTED]'s
21 merchant processing system.

22 Q Did the company want [REDACTED] to
23 integrate XRP into it's business?

24 A Well, we would -- okay. No.

25 Q Okay. Why not?

1 A It's -- we would have wanted them to
2 integrate the XRP Ledger and utilize the XRP
3 Ledger and the functionality within it.
4 There's -- it's not really possible to
5 integrate to XRP, that's why.

6 Q Did you want [REDACTED] to accept XRP as
7 payment by it's customers?

8 A Probably. I don't really remember.
9 It was -- I know that -- again, for context.
10 At the time, merchant processing was sort of
11 the big story for digital currencies. So
12 Bitcoin, everyone was talking about charge
13 backs and the ability to process payments for
14 free without the risk of the charge back,
15 reversal of the payment.

16 So there were a number of companies
17 that were focused on that and we were
18 interested in working with [REDACTED] to
19 investigate whether that would be of value
20 certainly using XRP.

21 But I think more broadly, we weren't
22 sort of just focused on that. I think we were
23 thinking about sort of the technology system.

24 Q So, you were focused on both?

25 A I believe so, yes.